

Message Text

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PAGE 01 BRASIL 06569 071515Z

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SUBJECT: NEW MINIMUM PRICES FOR AGRICULTURAL PRODUCTS

1. SUMMARY. THE NATIONAL SUPPLY COUNCIL FIXED ON AUGUST 4 THE NEW MINIMUM PRICES FOR AGRICULTURAL PRODUCTS TO BE HARVESTED IN 1975/76. INDOING SO IT TOOK INTO ACCOUNT REGIONAL CONSIDERATIONS AND WORLD MARKET CONDITIONS. EXCEPT FOR CASTORBEANS AND SORGHUM THE INCREASES ARE LESS THAN LAST YEAR'S AND RELATIVELY MODEST TAKING INTO ACCOUNT BRAZIL'S RATE OF INFLATION AND THE EVER INCREASING COSTS OF INPUTS.

2. TAKING INTO ACCOUNT PROJECTED RATE OF INFLATION OF AROUND 25 PERCENT AND EVER INCREASING PRODUCTION COSTS THE NEWLY FIXED MINIMUM PRICES, WITH ONLY A FEW EXCEPTIONS, REPRESENT NO GREAT INCENTIVE TO PRODUCERS. HOWEVER, ONE SHOULD ALSO CONSIDER SPECIAL PROGRAMS SUCH AS PROAGRO (WITH ITS 40 PERCENT SUBSIDY ON FERTILIZERS), POLOCENTRO AND SEVERAL REGIONAL PROGRAMS FROM WHICH DERIVE SPECIAL INCENTIVES, CREDITS AND THE LIKE TO THE BENEFIT OF FARMERS' OVERALL INCOME.

3. NEW MINIMUM PRICES OR HARVEST 1975/76:

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PAGE 02 BRASIL 06569 071515Z

MIN. PRICE	INCREASE
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COTTONSEED PER 15 KG BAG	CR\$45.45	CR\$35.10	29
PEANUTS PER 25 KG BAG	45.00	3475	29
PADDY RICE PER 50 KG BAG	71.00	57.00	24
CARNANBA WAX PER 15 KG BAG	189.00	163.50	15
BLACK BEANS PER 60 KG BAG	122.40	97.80	25
RED BEANS PER 60 KG BAG	171.60	132.00	30
SUNFLOWER SEED PER 40 KG BAG	45.20	36.00	25
JUTE MELLOW PER 1 KG BAG	3.20	2.20	45
CASTOR SEED PER 60 KG BAG	72.60	49.80	45
MANDIOC ROOTS PER 1,00 KG	160.00	120.00	33
CORN PER 60 KG BAG	48.00	36.00	33
RAMI (CRUDE) PER 1 KG BAG	2.00	1.70	17
RAMI (CLEANED) PER 1 KG BAG	3.09	2.03	52
SILK (YARN) PER 1 KG BAG	194.59	184.00	5
SILK (COCOON) PER 1 KG BAG	18.22	--	21
SOYBEANS PER 60 KG BAG	75.00	60.00	25
SORGHUM PER 60 KG BAG	48.00	28.80	66

(NOTE: WHEAT MINIMUM PRICES ARE SET BY GOB SEPARATELY)

4. THE NATIONAL SUPPLY COUNCIL IN SETTING THESE NEW MINIMUM PRICES HAS TRIED TO ON ONE HAND, STIMULATE PRODUCTION IN CERTAIN REGIONS, DISCOURAGE PRODUCTION IN OTHERS AND ALSO TO COMPENSATE FOR DIFFERENCES IN TRANSPORTATIONS COSTS TO EITHER CONSUMPTION CENTERS OR PORTS. FOR INSTANCE FOR THE IRST TIME UNIFORM MINIMUM PRICE FOR RICE MEANS THAT THE PRODUCERS IN RIO GRANDE DO SUL WILL NOW BE AT A DISADVANTAGE TO THOSE IN THE CENTRAL STATES, THE LATTER BEING CLOSER TO THE CONSUMER MAKETS (SAO PAULO AND BELO HORIZONTE).

5. IN THE CASE OF CASTOR SEED THE INCREASE IS 45. 75 PERCENT OVER LAST YEAR'S MINIMUM PRICE (AGAINST AN INCREASE OF ONLY 12. 80 PERCENT FROM 1974-1975. MOREOVER, THROUGH THE MECHANISM OF MORE FAVORABLE CREDIT TERMS TO THE PRODUCERS IN THE NORTHEAST, PRODUCTION OF CASTOR BEANS WILL BE STIMULATED IN THAT PART OF BRAZIL, ALSO TAKING INTO ACCOUNT LIMITED ALTERNATIVES FOR OTHER CROPS. AGATT WAS TOLD THAT THE GOB WANTS TO CONTROL THE OVERALL PRODUCTION OF CASTOR SEED (AND OIL), IN VIEW OF THE FACT THAT THE GOVERNMENT ALREADY HOLDS STOCKS OF 199,000 TONS OF OIL FROM PREVIOUS CROPS AND QUOTE HOPES TO AVOID A FURTHER

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PAGE 03 BRASIL 06569 071515Z

DEPRECIATION OF WORLD MARKET PRICES FOR CASTOR OLIL END QUOTE.

6. THE PRODUCTION OF JUTE AND MALLOW IN THE NORTH WILL BE STIMULATED NOT ONLY THROUGH THE NEW MINIMUM PRICES, BUT ALSO BY MEANS OF SPECIAL CREDITS TO PRODUCERS.

7. THE ONLY PRODUCT --NEXT TO CASTOR -- WHICH ENJOYS A HIGHER PERCENTAGE INCREASE IN MINIMUM PRICE (COMPARED TO

SUCH INCREASES LAST YEAR) IS SORGHUM. HERE THE INCREASE AMOUNTS TO 66.67 PERCENT (AGAINST 43.64 PERCENT LAST YEAR). GOB AIMS AT AN EQUILIBRIUM BETWEEN THE PRICE FOR CORN AND SORGHUM, WHOSE NUTRITIVE VALUES ARE COMPARABLE. IN THIS IT NO DOUBT HAS THE INTEREST OF THE COMPOUNDING INDUSTRY IN MIND.

8. TH NEW MINIMUM PRICE FOR SOYBEANS AT CR75.00 PER BAG OF 60 KILOS (CR15.00 OVER LAST YEAR'S MINIMUM PRICE), OR INCREASE OF 25 PERCENT (AGAINST LAST YEAR'S INCREASE OF 90.60 PERCENT). COMPARES WITH A PRICE OF US\$184.00 PER TON. THE NEW MINIMUM PRICE TAKES INTO ACCOUNT THE POSSIBILITY OF A DECLINE IN WORLD MARKET PRICES FOR THE SOY COMPLEX, IN VIEW OF AN EXPECTED INCREASE IN WORLD PRODUCTION OF SOYBEANS OF 15 PERCENT.
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